UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1993/22
15 May 1993

ORIGINAL: ENGLISH

Fortieth session
1-18 June 1993, New York
Item 4 (c) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

National execution and agency support costs

Report of the Administrator

SUMMARY

The present document contains a progress report on the implementation of Governing Council decisions 91/32 of 25 June 1991 and 92/22 of 26 May 1992 on agency support cost arrangements. The report includes information on the status of the financial provisions for the new arrangements; implementation of the 1992-1993 work plan and preparation of the 1994-1995 work plan for the TSS-1 facility; status of the TSS-2 facility; some issues relating to the smaller technical agencies; and monitoring and evaluation of the new arrangements.

INTRODUCTION

1. The present document contains a progress report on the status of implementation of decision 91/32 of 25 June 1991, which sets out the legislative framework for the implementation of the successor arrangements for agency support costs. In addition, as requested in paragraph 27 of decision 92/22 of 26 May 1992 on national execution and agency support costs, the report also includes information on the implementation of that decision.

I. STATUS OF IMPLEMENTATION OF THE NEW SUPPORT COST ARRANGEMENTS

2. As reported to the Governing Council at its thirty-ninth session in document DP/1992/23, the new support cost arrangements went into effect as of 1 January 1992. However, decision 91/32 also provided for delaying the start of the new arrangements until 30 June 1992, or until a target of $500 million of approvals against the resources of the fifth cycle for the United Nations specialized agencies subject to the new regime had been reached, whichever occurred earlier. Similar targets with respect to projects for other agencies had also been established. These targets were conceived as a transitionary measure providing the agencies concerned with a stock of budgets to which the old arrangements would continue to apply while the new arrangements were phased in. Additionally, and by collective agreement between UNDP and the agencies, UNDP field offices were provided the flexibility, as a matter of operational convenience, to continue to apply the old arrangements to those projects that already had reached an advanced stage in the formulation/appraisal process by 1 January 1992. As a result of these measures, a level of $660 million of project budgets have been approved under the old arrangements, thus providing an increased level of transitionary protection to the agencies concerned. Since 1 July 1992, all projects have been subject, on a mandatory basis, to the new arrangements.

3. As the Governing Council was informed last year, detailed guidelines for the determination of execution and implementation arrangements and for the new arrangements for agency support costs had been worked out jointly with the agencies and are currently in force in the field. The Council had taken note of these guidelines in decision 92/22 of 26 May 1992 and had further provided certain clarifications. Also, several improvements and refinements to the procedures have emerged upon field testing of these guidelines. Accordingly, a first revision to the guidelines incorporating these improvements as well as the clarifications provided by the Council was issued in October 1992. It is planned to continue field testing of these guidelines for an additional period of time in 1993, at the conclusion of which it is expected that they will be incorporated in the Programme and Projects Manual (PPM) of UNDP.

II. TRAINING PROGRAMMES IN THE APPLICATION OF THE NEW ARRANGEMENTS

4. In recognition of the importance, complexity and far-reaching nature of the new arrangements, UNDP and the agencies considered it essential that operational personnel in the field be fully trained in the use of the new facilities available under these arrangements. Also, in paragraph 25 of decision 92/22, the Governing Council requested the Administrator to continue to expedite integrated training activities for concerned government, UNDP and agency personnel in the working of the new arrangements. For this purpose, the Council also authorized the Administrator to use available funds within the overall provision of resources for support cost arrangements as set out in annex I of decision 91/32.

5. Accordingly, a series of training workshops designed with professional assistance and with the active collaboration of the agencies has now been carried out in the field. The workshops were a tripartite exercise in which field representatives from Governments, agencies and UNDP participated. It was designed as a "train the trainers" course, in which the participants undergoing the training were expected to return to their countries and carry out further training programmes on their own at the country level. In this manner, it was hoped that by training a relatively limited number of practitioners, a far larger target audience would eventually be reached.

6. Twelve subregional workshops and nine national workshops were carried out in the field from October 1992 to February 1993. These were attended by over 600 field personnel, consisting roughly of 270 UNDP staff, 150 government officials and over 180 agency personnel. The workshops were conducted by teams of trainers drawn from both UNDP and the agencies, with most of the latter drawn from the core group that has worked on the development of the new arrangements in the last two years.

7. The self-evaluations conducted at the conclusion of each workshop have judged them effective. The level of understanding of, and commitment to, the new arrangements on the part of field personnel appear to have increased significantly despite the varying levels of preparation of the participants and the perceived complexity of the new arrangements. There has also been considerable appreciation of the tripartite nature of the workshops, which many participants recommended should become a model for such training programmes in the future. It also appears to have helped generate a team spirit among the three partners, which is considered by many to be a very rewarding aspect of the training. There has also emerged a clearer recognition of the opportunities and flexibilities provided under the new arrangements and particularly of the support services provided by the agencies. Participants also made several recommendations for simplifications and improvements in the arrangements which, as stated in paragraph 3 above, will be reflected in revised guidelines in due course.

8. It has been recognized, however, that there is a considerable need to follow up these workshops with country-level training activities. While such training programmes at the country level will be carried out by staff already trained, it is intended that UNDP and the agencies will continue to provide support to these activities.

III. STATUS OF FINANCIAL PROVISIONS

9. In paragraph 33 of decision 91/32, the Governing Council requested that information on the status of the authorized financial provisions for the new support cost arrangements be included in the present report. In doing so, it is necessary to review the status of the programme build-up for the fifth cycle as well as carry out an analysis of programme approvals under various execution and implementation arrangements. It may be noted that the financial provisions approved by the Council in decision 91/32 were based on assumptions relating to the percentage of programmable resources likely to be implemented by various implementing agencies in the fifth cycle, as well as on historical patterns of programme build-up during the five years of a programming cycle. As reported last year in the report on support cost arrangements (section IV of DP/1992/23), and as noted by the Council in paragraph 10 of decision 92/22, adjustments to the individual components of the financial provisions have become necessary. These adjustments are discussed in this section.

A. Status of resources for the fifth cycle

10. The status of resources and programmes for the fifth programming cycle is described in detail in the report of the Administrator on matters relating to programming cycle (DP/1993/21). As stated in section II of that report, there has been a considerable erosion in the outlook for resources for 1993 and future years because of a significant reduction in contributions by some major donors as well as losses attributable to the strengthening of the dollar vis-à-vis the currencies of other major donors. Estimates of contributions for 1993 currently amount to $930 million, which represents a decline of $143 million, or 13 per cent, from 1992. Based on this decline, as well as on current estimates of contributions for the remaining years of the fifth cycle, it appears that the target for annual increases in contributions of 8 per cent assumed in decision 90/34 of 23 June 1990 is unlikely to be achieved. As a result, the indicative planning figures (IPFs) for the fifth cycle, which were established in line with these assumptions, may not be fully financed. Additionally, the balance of liquid resources which had accumulated in the fourth cycle because of excesses of income over expenditures during the 1983-1988 period are expected to be drawn down to nearly zero at the end of 1995. Taking all these factors into consideration, and following a detailed review, the Administrator has decided, in the interests of prudent financial planning, to establish a revised planning framework for the fifth cycle. Accordingly, he has informed UNDP field offices that programme planning at the country level should be carried out under the assumption that only 75 per cent of the established IPFs would be available for the cycle. Additionally, he has established revised expenditure targets for 1993 and 1994 of $640 million and $590 million respectively, in order that the resulting cash outflows are in balance with cash inflows during these two years. This is in contrast with actual IPF expenditures in 1991 and 1992 of $869 million and $727 million respectively.

B. Status of project approvals for the fifth cycle

11. The resource constraints and reductions in expenditure targets described above have understandably had an impact on approvals during 1992 and 1993. Total project approvals (new projects and revisions to ongoing projects) approved in 1992, the first year of the fifth cycle, amounted to $570 million as compared with $900 million approved in 1987, the first year of the fourth cycle. However, as explained in paragraphs 8 and 9 of DP/1993/21, considerable efforts had been undertaken in the fourth cycle to achieve a high level of programme build-up and to enhance the capacity of the United Nations system to deliver an increased level of programme expenditures. A measure of that build-up is reflected in the fact that IPF project budgets approved at the beginning of the fourth cycle amounted to $850 million against fourth cycle resources, whereas almost $1.2 billion had been approved at the beginning of the fifth cycle against projected fifth cycle resources. Thus, total project budgets approved at the end of 1992 amounted to approximately $1.75 billion, which is about the same level as had been approved at the end of 1987. Moreover, budgets approved at the end of 1992 represent almost 53 per cent of the resources assumed to be available for the fifth cycle, calculated at the planning level of 75 per cent. In contrast, at the same point in the fourth cycle, only 51 per cent of the fourth cycle IPFs had been approved. It is therefore the view of the Administrator that the programme build-up achieved so far in the fifth cycle is commensurate with available and projected resources.

12. Table 1 presents a summary of the total programme budgets approved so far against the fifth cycle resources under various types of execution arrangements. As discussed in paragraph 2 above, IPF projects approved under the old arrangements amounted to almost $1.5 billion, of which $660 million related to the five agencies subject to the new regime of support costs. Activities approved under the new regime during the period 1 July 1992 to 31 March 1993 amounted to $361 million, of which those relating to the five agencies amounted to $70 million.

C. Estimate of activities likely to be implemented under various arrangements

13. It is apparent from an analysis of the approval of new projects over the last several years that there has been a change in the pattern of execution arrangements in recent years, as stated in paragraph 9 above. New projects approved for national execution as a percentage of all new approvals amounted to 30 per cent in 1991 and 37 per cent in 1992. This trend is expected to accelerate in 1993 and future years. Approval of new projects for execution by the agencies has correspondingly declined progressively during the fourth cycle. Approval of new projects assigned for execution by the five agencies amounted to 35 per cent in 1991 and 32 per cent in 1992.

14. Preliminary data also indicate that agency implementation of nationally executed projects has increased significantly over the fourth cycle. While this trend needs to be confirmed, it has been estimated that over 30 per cent of activities under nationally executed projects would be entrusted to the agencies for implementation. This compares with 15 per cent in the fourth cycle.

15. Based on these trends in execution arrangements and on the programme build-up so far in the fifth cycle, an estimate of the activities to be approved during the rest of the cycle under various execution arrangements has been made. These are shown in section 4 of table 1. This table assumes that 40 per cent of all new approvals of IPF-financed activities will be assigned for national execution; 30 per cent for execution by the five agencies subject to the new regime; 10 per cent for execution by the Office for Project Services (OPS); and 20 per cent for execution by all other agencies combined together. It also assumes, as stated in paragraph 14 above, that 30 per cent of nationally executed projects will be assigned to agencies for implementation. It may be noted from this table that 63 per cent of the resources projected to be available for the fifth cycle have already been approved, including 51 per cent under the old arrangements and 12 per cent under the new arrangements.

D. Provision for nationally implemented projects approved before 1 January 1992

16. As part of the transition arrangements (discussed in paragraph 2 of this report), the Governing Council had provided, in paragraph 16 of decision 91/32, that in respect of the first $140 million of nationally implemented projects approved for the fifth programming cycle resources, 10 per cent of the value of these projects shall be added to the relevant IPF sub-lines. An amount of $17 million had been earmarked for this purpose, to be financed from unutilized resources carried over from the support cost line of the fourth programming cycle.

17. As pointed out in table 1, section 2, however, nationally executed projects approved under the old arrangements amounted to $304 million, far exceeding $140 million originally estimated. It has thus been necessary to identify the first "$140 million of nationally implemented projects", for which this provision would be applicable. This process of identification of such projects, in chronological sequence of the date of their approval, has proven to be operationally difficult and the selection inherently arbitrary.

18. Additionally, an earlier decision of the Governing Council (decision 90/21 of 22 June 1990, para. 7) had specified that IPF add-on would continue to be paid for nationally executed projects approved before the end of the fourth programming cycle, leading several Governments and UNDP field offices to continue planning utilization of such add-on resources for an interim period in the fifth cycle. The non-availability of the IPF add-on, in line with decision 91/32, has introduced an additional element of operational uncertainty and complexity to this process.

19. Taking these factors into consideration, the Administrator proposes that the intent of paragraph 16 of decision 91/32 would be better served if, instead of adding the specified resources to the IPF sub-line, the provisions of the IPF add-on legislation continue for one more year. Thus, he intends to provide 13 per cent of 1992 project expenditures relating to nationally executed projects approved before 1 January 1992 as an add-on to the IPFs of the countries concerned. The resulting add-on earned in respect of these projects are estimated to be approximately $17 million, an amount equal to the provision made in decision 91/32 (line 2 of annex B). This solution is therefore "cost

neutral" in that no additional resources, other than those already provided for in decision 91/32, are called for. As a result, 1992 would be the last year for which the IPF add-on provisions would be applied. From 1993 onwards, the provisions of decision 91/32 relating to the IPF sub-line would be applicable for these projects.

E. Estimate of flow of support cost resources

20. Based on the updated estimates of activities likely to be implemented under various implementation arrangements shown in table 1, the projected flow of support cost resources from UNDP to the agencies in the fifth cycle has been recomputed. These estimates are shown in table 2. The estimates under technical support services are explained further under section IV and section V below. As this table shows, under these assumptions approximately $260 million is expected to become available to the five agencies subject to the new regime, $54 million to OPS and $99 million for all other agencies combined. It is also estimated that in the aggregate approximately $43 million will become available to developing countries as savings from the IPF sub-lines.

21. Table 3 provides a summary of the current status of the various financial provisions for support cost arrangements in the fifth cycle and, for comparison purposes, the original provisions approved in decision 91/32. It will be noted that the current estimate of resources necessary to finance the new support cost arrangements amounts to $473 million, which represents a reduction of approximately 25 per cent from the originally established amount of $627 million.

22. Finally, concern has been expressed by the agencies over a slow-down in new project approvals in the fifth programming cycle, the consequent impact on the effective implementation of the new arrangements and the reduction in the flow of support cost resources to the agencies. Indeed, it appears that field personnel are currently ready and fully capable of applying the new arrangements effectively following the completion of an extensive training programme in the working of the new arrangements and the development of and improvements in operational mechanisms for the implementation of new systems. Unfortunately, however, these developments coincide with the decline of resources in the fifth programming cycle and the consequent likelihood that there would be a lower level of approval of new projects to which the new arrangements can be applied. The Administrator shares the concern that the reduction in resources may constrain the full and effective implementation of the legislation on support costs and thereby compromise the achievement of the objectives established by the Council in paragraph 1 of decision 91/32.

IV. TECHNICAL SUPPORT SERVICES AT THE PROGRAMME LEVEL (TSS-1)

A. Implementation of TSS-1 work programme for the 1992-1993 biennium

23. As reported last year in DP/1992/23, a work programme for the 1992-1993 biennium was prepared jointly by UNDP and the agencies concerned and submitted to the Council, in accordance with the provisions of decision 91/32 (annex IV). This work programme was approved by the Council in its decision 92/22. The total amount allocated for this period amounted to $25 million out of an earmarking of $64 million established for this purpose. The amounts allocated by agencies were as follows: Food and Agriculture Organization of the United Nations (FAO), $7 million; the United Nations, $4.7 million; United Nations Industrial Development Organization (UNIDO), $4.9 million; International Labour Organisation (ILO), $5.2 million; and United Nations Educational, Scientific and Cultural Organization (UNESCO), $3.1 million.

24. The implementation of the approved work plan is now fully under way and approximately $4 million out of the total allocation of $25 million had been disbursed as of 31 December 1992. While agencies have not yet provided progress reports for 1992, preliminary data indicate that approximately 65 per cent of the activities have been completed or have reached an advanced stage of implementation; 25 per cent have not yet been initiated for a variety of reasons but are expected to be implemented during 1993; 10 per cent have either been cancelled, postponed and/or are being allocated to other activities in the programme. The TSS-1 activities are in general led by the technical staff of the agencies, though in some limited cases external consultants have been used to carry out specific studies. While the use of such external consultants has varied from agency to agency, overall approximately 20 per cent of the total work months have been delivered by them.

25. As a new and innovative facility, the formulation and implementation of the first TSS-1 work programme has, not surprisingly, required adaptation and adjustments to the agreed guidelines for the exercise. In response to unforeseen operational considerations which emerged during implementation, it has been necessary to devise practical solutions and amendments to the procedures. Examples of such operational considerations include the need in some cases to provide for such national project inputs as the use of national consultants; to revise procedures governing the clearance of experts for TSS-1 activities; and to establish procedures relating to the participation of multiple agencies in the implementation of intersectoral activities. It has been reported by agencies that some activities suffered from an initial underestimation of the required resources commensurate with the expected outputs and that these activities have been particularly subject to delays in implementation as increased funding had to be obtained and/or activities redesigned. Also, the work programme consists of too many small activities which detract from a critical mass being formed in the use of the TSS-1 facility. It has been suggested by the agencies that a greater concentration of activities be aimed for in future work programmes.

26. Initial feedback during implementation of this TSS-1 work programme has been very positive. There has been a greater recognition and appreciation of the strategic purposes for which the TSS-1 facility can be utilized. Indeed,

important uses to which TSS-1 financing are currently applied or proposed to be used include, inter alia, support to the development of country strategies and integrated programmes; provision of sectoral and subsectoral policy advice to Governments; and agency support to the donor coordination and resource mobilization efforts of UNDP at the country level. It is intended that more specific information on the substantive content and progress made with the implementation of the 1992-1993 work programme will be provided during the fortieth session of the Governing Council.

B. Preparation of TSS-1 work programme for the 1994-1995 biennium

27. The work plan for the 1994-1995 biennium is currently under preparation. The guidelines originally proposed by the Governing Council in decision 91/32, and as modified by decision 92/22, require the provision of a work plan to the Governing Council for information at the session preceding the start of that biennium. It was the underlying premise of the guidelines that the TSS-1 facility would be used to stimulate and leverage agency regular and other programmes and therefore the timing of the preparation of the former should be synchronized with that of the latter. In practice, these considerations require that proposals for TSS-1 activities be developed at least a year before the start of implementation of the work programme.

28. Based on experience with the formulation of the TSS-1 programme in 1992, it has become evident that the proposed schedule poses several difficulties. First, it is considered impractical to identify priorities for TSS-1 financing one to two years before the two-year period in which the activities will be implemented, particularly in view of the changing priorities in various developing countries. Second, it is not considered practical to synchronize and/or otherwise link the TSS-1 programme with the country-specific activities of the agency regular programmes as the latter, at that time of their preparation, do not include such country specificity. It appears, therefore, that it will be more reasonable and useful in developing the TSS-1 programme to take into consideration the priorities and emphases of agency programmes rather than require the scheduling of one to be rigidly related to the other. Third, experience suggests that an extensive consultation process involving the Government, agencies and UNDP should precede the approval of the programme in order to achieve effective implementation subsequently. Indeed, the UNDP field offices and agencies have requested that a longer period be provided for the planning and formulation of the work programme for the 1994-1995 biennium, including consultations with the Government and agencies.

29. Taking these factors into consideration, the Administrator has established 30 June 1993 as the deadline for the submission of TSS-1 proposals for the next biennium. It is also intended that the process of formulation will begin in the field and be governed by the priorities and needs identified at the country level. This is in contrast with the process adopted last year, when because of shortness of time, agency headquarters were requested to provide a list of proposals as a starting point for the exercise. The review, appraisal and selection of proposals will be carried out in July 1993 and the approval completed by September 1993. The Administrator proposes, therefore, that the

finalized work programme be provided to the Council for information at its special session in February 1994.

V. TECHNICAL SUPPORT SERVICES AT THE PROJECT LEVEL (TSS-2)

30. The TSS-2 facility was established by the Governing Council, as stated in decision 91/32 (annex IV), for the purpose of increasing the quality of projects and to assist the Administrator in discharging his accountability by ensuring that technical support is available to all projects, irrespective of the arrangements for the delivery of administrative and operational support services. While the TSS-2 facility can be used at all stages of the project cycle, the principal target is expected to be technical support during implementation or technical backstopping, particularly in respect of nationally executed projects.

31. In managing the resources of the TSS-2 facility, the Administrator has made an initial allocation of $25 million to the resident representatives out of an earmarking of $60 million established by the Governing Council and has delegated to them the authority for the formulation and approval of TSS-2 budgets, in accordance with the established delegations for the approval of projects. Approval of TSS-2 budgets as of the end of March 1993 has amounted to $3.1 million. As the TSS-2 facility is, in principle, available only for projects approved under the new arrangements in the sectors of competence of the five agencies, this level of approved TSS-2 budgets is considered consistent with the total project budgets approved so far under the new arrangements in these sectors (table 1). Additionally, the field offices have been encouraged by both UNDP and the agencies to utilize the TSS-2 facility mainly for technical backstopping and only to a limited extent for project formulation as financing for the latter is usually available from other sources, including the Project Development Facility (PDF) and IPFs. The almost exclusive use of TSS-2 for technical backstopping may, at this stage, have limited the overall utilization of the TSS-2 facility.

32. The Administrator has, however, been concerned, in light of the rapid increase in nationally executed projects in recent years, that all measures shall be undertaken to adequately backstop and support such projects with technical support services. Accordingly, he has initiated a review in the field of all ongoing nationally executed projects, including those approved before 1 January 1992, in order to determine whether such technical support is required in these cases. This review is currently under way. Early indications are that, in some cases, TSS-2 budgets have been approved as a result of this exercise. In many more cases, however, it was determined that technical support had already been provided in the project budgets and TSS-2 funding was not considered necessary. Also, in the case of many projects already in an advance stage of implementation, it was considered operationally difficult and inappropriate to bring in a United Nations agency at a late stage. However, this exercise has proven to be useful in ensuring that the technical support requirements of nationally executed projects are properly assessed and provided for. It has also demonstrated the need for associating the specialized agencies in the development and implementation of such nationally executed projects at an early stage in the project cycle.

33. A review of the pipeline of projects shows that the need for technical support services to be financed from TSS-2 is now fully recognized by field personnel, particularly after the training programme referred to in section II above. Additionally, UNDP has initiated, jointly with agencies, measures by which the TSS-2 facility is appropriately used, as stated in paragraph 28 above, to associate the specialized agencies in UNDP-financed projects, in particular by increasing the use of the TSS-2 resources for project formulation purposes. It is expected, therefore, that approximately $20 million in TSS-2 financing will be approved by early 1994. Also, in line with the overall reduction in available and projected resources for programming in the fifth cycle, it is estimated that TSS-2 resources amounting to $42 million out of an earmarking of $60 million will be available for the fifth cycle. In addition, an amount of $17 million may be available under the earmarking of $20 million for technical support for national execution.

VI. ISSUES RELATING TO SMALLER TECHNICAL AGENCIES

34. In paragraph 3 of decision 91/32, the Governing Council invited the specialized agencies not currently part of the new support cost arrangements to consider the possibility of participating in the new regime in light of the experience gained. For this purpose, UNDP has maintained an ongoing discussion with these agencies on various aspects of the new arrangements.

35. In recent discussions, these agencies have expressed considerable concern at the significant decline in projects approved in the fifth cycle in the sectors represented by them and the consequent reduction in support cost reimbursements. In the case of some of these agencies, there has been a reduction of 50 per cent or more in projects approved for execution in the fifth cycle as compared with the fourth cycle. These agencies are concerned that if this trend continues there will be a serious erosion in the capacity of these agencies (which was built up over many years partly in response to the needs of UNDP-financed technical cooperation projects) to continue to provide support to developing countries.

36. It is recognized that the decline in the activities supported by these technical agencies can at least in part be attributed to the six areas of concentration specified by the Governing Council in decision 90/34, which emphasize, in the main, human development and capacity-building. While these emphases are set in the broader context of the total development effort, and therefore are not inconsistent with nor discourage assistance in the technical areas, in practice it appears that country programmes based on these areas of focus tend to concentrate on the social sectors. In fact, a review of the country programmes for the fifth cycle shows that only limited provision has been made for cooperation in the technical areas represented by these agencies.

37. The agencies have also pointed out that their lack of field representation has limited their ability to participate fully in the establishment of programming priorities and in the development of country programmes at the country level. At the same time, the very limited financing available under UNDP sectoral support earmarking does not permit these agencies to carry out an extensive series of sectoral and programme development consultations.

38. Several of these agencies have stated that they recognize that the new support cost arrangements offer some attractive features, including resources for technical support and for participation in upstream, policy-related areas. In particular, access to such facilities such as TSS-1 and TSS-2 would provide them an opportunity to participate in and provide technical support to Governments and UNDP in the implementation of nationally executed projects which have increased significantly in their sectors in recent years. For this purpose, some agencies have indicated an interest in exploring with UNDP the possibility of a modified support cost regime for them which would include these attractive features of the new arrangements while preserving the simplicity of the current arrangements. They emphasize that any such modified regime should take into account the limited scale but crucial technical character of their activities.

39. The Administrator shares the concerns of these agencies and will continue his consultations with them to develop proposals for consideration by the Governing Council at a future session. The objective of such proposals will be to ensure that the technical capacities, contributions and support of these agencies will continue to be available to developing countries.

VII. MONITORING AND EVALUATION

40. In paragraph 23 of decision 92/22, the Governing Council took note of the proposal of the Administrator regarding the monitoring and evaluation of national execution and support cost arrangements and requested him to develop detailed performance indicators reflecting the objective of the new arrangements as set out in decision 90/26 of 22 June 1990.

41. It is recognized that monitoring the implementation of the complex set of arrangements which governs the new support cost arrangements should be an ongoing and collaborative activity between the agencies and UNDP. To this end, UNDP has carried out frequent consultations with agencies on various aspects of the implementation of the new arrangements. Additionally, efforts have been undertaken to develop a series of interrelated performance indicators to assess progress made towards the achievement of the objectives established by the Governing Council. It should be noted, however, that the new support cost arrangements are only a part of a larger package of legislative and policy measures adopted by the Governing Council to achieve these objectives including, inter alia, new initiatives relating to more effective use of national execution, the adoption of a programme approach and a renewed emphasis on human development and capacity-building. Therefore, monitoring and evaluation of support cost arrangements, while limited to the implementation of these arrangements, should, however, take place in the context of the implementation of the entire package.

42. The performance indicators being developed can be classified under two broad categories and would include both quantitative measures which can be expressed in statistical data and qualitative measures which may not be so expressed. These categories and the indicators being considered under each of them are described in the following paragraphs.

43. The first category relates to execution and implementation arrangements and to the objectives established by the Council of facilitating assumption by Governments of the management of UNDP-financed programmes and of providing incentives for national execution. Other related objectives of the Council are to reflect the principles of tripartite partnership as a distinct characteristic of UNDP assistance; to reinforce the accountability of the Administrator and of the agencies providing support services; to seek to ensure cost efficiency, enhanced quality and greater openness and competitiveness in accessing and providing services; and to continue the principle of cost-sharing between UNDP and the agencies. Possible indicators and the information necessary to measure the achievement of these objectives are listed in the annex (category I).

44. The second category relates to technical support services and the objectives established by the Council of improving the technical focus of the agencies and minimizing the resources allocated for administrative and operational services (AOS). Taking into account the multiple sources from which technical support requirements can be financed, the possible indicators and the information necessary to measure the achievement of these objectives are listed in the annex (category II).

45. After agreement is reached on the specific indicators which should be monitored on an ongoing basis, it will be necessary for UNDP and the agencies to collaborate in collecting and updating information on these indicators as programmes are developed and implemented during the fifth cycle. At this time, the information systems of UNDP and the agencies are able to generate data on only some of the indicators. The existing information systems will need to be enhanced to record and process the new types of data which will need to be collected as a result of the introduction of the new arrangements. The organizations are in the process of introducing those enhancements and it is expected that UNDP will be able to report on them in 1994 and in future years.

46. Finally, an external independent evaluation of the new arrangements is scheduled to be carried out in 1994. The results of this evaluation will constitute a useful input for the mid-term review of the fifth programming cycle, also planned for 1994.

Table 1. Estimates of value of activities likely to be implemented by agencies

(Millions of dollars)

		IPF	SPR	Total	
1.	Available resources	2 943	220	3 163	
2.	Projects already approved under old regime (before 30 June 1992)	1 506	67	1 573	
	of which:				
	five agencies	660	6	666	
	OPS	190	39	229	
	National execution	304	15	318	
	Other agencies	352	8	360	a/
3.	Activities approved under new arrangements (30 June 1992-31 March 1993)	361	58	419	
	of which:				
	five agencies	70	5	75	
	OPS	15	37	52	
	National execution	190	7	197	
	Other agencies	86	9	95	b/
4.	Activities to be approved during rest of cycle (1993-1996)	1 076	95	1 171	
	of which:				
	five agencies	323	10	332	
	OPS	108	62	169	
	National execution	430	14	445	
	Other agencies	215	10	225	
5.	Activities likely to be implemented during the fifth cycle (sum of 2, 3 and 4 above)	2 943	220	3 163	
	of which:				
	five agencies	1 053	21	1 073	
	OPS	313	138	450	
	National execution	924	35	960	
	Other agencies	653	27	680	

a/ Of this amount, $190 million relates to the smaller technical agencies and $170 million to the World Bank, International Monetary Fund (IMF), regional economic commissions and regional development banks.

b/ Of this amount, $46 million relates to the smaller technical agencies and $49 million to the World Bank, IMF, regional economic commissions and regional development banks.

Table 2. Estimates of support cost income for the fifth cycle

	Five agencies	OPS	National execution	Other agencies	Total
Resources held centrally					
1. Support costs for transitionary projects	86.6	25.2	-	46.8	158.6
2. Provision for nationally implemented projects (approved before 1 January 1993)	-	-	17 a/	-	17 a/
3. Payments for agencies subject to current regime from central resources	-	-	-	6.7	6.7
4. Support costs for SPR-funded projects (excluding line 2)	1.5	9.9	-	1.9	13.2
5. Agency flexibility provisions	-	-	-	10.0	10.0
Technical support services					
6. TSS-1	64	-	-	-	64
7. TSS-2	42	-	-	-	42
8. Technical support for national execution	17	-	-	-	17
IPF sub-line resources					
9. AOS paid to external agents	48.6	18.5	-	33.2	100.3
Savings in IPF sub-line	-	-	43.4	-	43.4
Total	259.6	53.5	60.4	98.6	472.2

a/ This will be provided as IPF add-on.

Table 3. Status of financial provisions relating to programme support costs, fifth programming cycle, 1992-1996

	Financial provisions per decision 91/32	Current estimates
Resources held centrally		
1. Support costs for transitionary projects	109	159
2. Provision for nationally implemented projects (approved before 1 January 1993)	17 a/	17
3. Payments for agencies subject to current regime from central resources	18	7
4. Support costs for SPR-funded projects (excluding line 2)	23	13
5. Agency flexibility provisions	10	10
Technical support services		
6. TSS-1	64	64
7. TSS-2	60	42
8. Technical support for national execution	20	17
IPF sub-line resources		
9. Country and intercountry IPF sub-lines	323	144
Total	627 b/	473

a/ To be financed from unutilized resources carried over from the support cost line of the fourth programming cycle and therefore not included in the total.

b/ Excludes line 2.

Annex

PERFORMANCE INDICATORS AND INFORMATION REQUIRED FOR MONITORING IMPLEMENTATION OF NEW SUPPORT COST ARRANGEMENTS

Category I: Execution and implementation arrangements

(a) Growth in national execution expressed in number and value of projects, as well as by sector, country and other descriptors;

(b) Technical support provided by United Nations agencies to nationally executed projects;

(c) Implementation and AOS support provided by agencies to nationally executed projects;

(d) Use of external implementing agents, including non-governmental organizations (NGOs);

(e) Growth in national capacity for execution;

(f) Volume, type and nature of UNDP field office support to nationally executed projects;

(g) Exercise of financial and substantive accountability in nationally executed projects;

(h) Approvals of AOS by cluster and agency, including OPS;

(i) Total cost to agencies of AOS by cluster;

(j) Use of savings from IPF sub-line resources for capacity-building.

Category II: Technical support services

At the programme level:

(a) TSS-1 approvals by sector, agency, country and type of service (sector analyses, direct policy advice, country programme reviews and thematic evaluations);

(b) Level of technical support provided from other UNDP sources, including IPF;

(c) Level of technical support provided at the country level from agency sources, including the agency regular programmes by country, type of service and sector and subsector;

(d) Cost per work month (professional and general support) charged to UNDP sources and subsidies, if any, provided from other sources.

At the project level:

(e) TSS-2 approvals by agency and country/programme;

(f) Volume of technical support funded from other UNDP sources, including the PDF, the IPF and other SPR subprogrammes;

(g) Level of technical support provided by agencies funded by sources other than UNDP;

(h) Volume of support provided at various stages of the project cycle (formulation, appraisal, backstopping, and evaluation);

(i) Cost per work month of technical services (professional and general support) charged to UNDP sources and subsidies, if any, provided from agency sources.

Other:

(a) Staffing and organizational changes in agencies made to reflect adjustment in technical focus;

(b) Use of agency technical staff to provide services versus consultants recruited from external sources.

DP

UNITED
NATIONS

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1993/23
27 January 1993

ORIGINAL: ENGLISH

Fortieth session
1-22 June 1993, New York
Item 4 (d) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

National capacity-building

Report of the Administrator

SUMMARY

Capacity-building involves human resource development, the development of organizations and the emergence of an overall policy environment conducive to development. Some valuable capacities have been built as a result of efforts of donors in the past. There are, however, several reasons for the current concern by the development community to identify more coherent strategies and instruments for capacity-building. The most important of these concerns are: the relevance of the activities to core national objectives; the policy context for the activities; the extent to which capacity is being built in non-governmental as well as in governmental institutions; the mechanisms of coordination of capacity-building activities; and the sustainability of the capacity. The framework for national capacity-building is provided by national systems of planning and management, and their translation into policies and programmes. The building blocks for UNDP support in these areas include the programme approach, national execution and the aid coordination process. One of the aims of successor arrangements for agency support costs is to facilitate the upstream roles of United Nations agencies in supporting the development of sectoral and subsectoral programme frameworks. The major areas in which UNDP can support national capacity-building strategies include the capacity to define and manage the long-term vision of development; the capacity to formulate policies and programmes; the capacity to implement national programmes; and the capacity to monitor and evaluate national programmes.

93-05434 (E) 250293 01/03/93

/...

I. INTRODUCTION

1. In its decision 91/27 of 21 June 1991, the Governing Council requested the Administrator to develop guidelines concerning assistance to Governments in the formulation and implementation of national capacity-building strategies relating to all stages of the programme/project cycle. In other decisions in 1992, the Council requested the Administrator to report annually on national capacity-building (92/2); to assist in building up or strengthening national capacities to formulate and implement policies and programmes for sustainable development (92/16); to develop guidelines on assistance to Governments in the formulation and implementation of national capacity-building strategies for national execution (92/22); and to continue to formulate guiding principles for the programme approach, including assistance in the assessment and enhancement of technical and managerial capacities at the programme level (92/23).

2. In responding to these decisions, a variety of steps have been undertaken. Guidelines are in preparation for capacity-building in the context of national execution, and work is under way to revise the Programme and Projects Manual to incorporate these guidelines. Guidelines have also been prepared by the Central Evaluation Office for the assessment of UNDP activities in capacity-building in the fifth cycle. In addition, a draft document "Capacity 21: Outline of programme criteria and guidelines" has been prepared by the Environment and Natural Resources Management Group, as a follow-up to the United Nations Conference on Environment and Development (UNCED).

3. At the thirty-ninth session of the Governing Council (1992), a conference room paper on capacity-building was circulated (DP/1992/CRP.1, English only). The paper was subsequently discussed in various forums, including the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ (OPS)). The present document has benefited from these discussions and is intended to respond to decision 92/2, in which the Council requested the Administrator to report annually on capacity-building.

II. BACKGROUND AND CONCEPTUAL FRAMEWORK

4. Based on the principles of General Assembly resolution 44/211 of 22 December 1989, a framework for capacity-building has been established by the General Assembly and the Governing Council in recent years. Key elements of this framework are the successor arrangements for agency support costs, national execution and the programme approach. The framework recognizes that all development programmes are nationally owned, directed and controlled. The establishment of priorities, the achievement of development results and their sustainability are the responsibility of the Government.

5. Capacity-building is not a new activity for UNDP. For many years, UNDP has been mandated to promote increasing self-reliance in the developing countries with regard to the managerial, technical, administrative and research capabilities required to formulate and implement development plans and policies. Thus, despite the relatively recent introduction of the term "capacity-building" into official parlance, UNDP-funded technical cooperation

has had the objective of capacity-building for self-reliance throughout most of UNDP's existence.

6. Over time, various terms have been used to describe the activities related to capacity-building. In the past, the most commonly used term was "institution-building". Although institution-building and capacity-building do not refer to identical activities, there is considerable overlap between them. Institution-building refers to the development of particular institutions, their human resources, equipment, organization, management and administration. Capacity-building is concerned with a broader set of activities, involving support for human resource development, organizational strengthening and the emergence of an overall policy environment that is conducive to development.

7. Based upon this definition of capacity-building, capacity for development has three components: the education and training of managers, professional, administrative and technical personnel; the use of these trained people in public and private sector organizations aimed at achieving a development impact; and the "development culture", that is, the rules, norms and expectations governing the transactions and relations among people and among organizations.

8. One area of capacity-building that has been receiving global attention is that of sustainable development. Sustainable development requires a holistic approach to capacity-building, in which participatory development is an essential element. This means going beyond specific training, to ensure that members of society at large have an understanding and commitment to sustainable development. It also means that institutions and mechanisms for decision-making and the involvement of diverse social forces need to be established or strengthened.

9. Some valuable capacities have been built and sustained as a result of efforts by UNDP and other donors, in areas such as infrastructure (including research), vocational training, health, statistics, civil aviation and meteorology. However, in a variety of other areas, capacity-building efforts by UNDP and other donors have not been altogether successful. There are several reasons for the current concern within the development community to clarify the meaning of capacity-building and to identify the instruments through which to pursue it. The first four of these reasons are generic to all capacity-building activities, the last two are specifically concerned with technical cooperation as an instrument for supporting capacity-building.

10. First, although UNDP has supported Governments in building capacity, many of these activities have not had a major impact on development. In some cases, activities have been in areas that were not central to the process of economic and social development. In other cases, for example in development planning, the activities have become marginal as short-term exigencies have increasingly dominated economic decision-making in large numbers of developing countries. In yet other cases, the activities have been concentrated downstream, with limited reach, and without regard for the possibility of an impact at policy level, where decisions are taken that affect the population as a whole.

11. Secondly, the capacities that have been built have not been sustained in all cases, and the past decade in least developed countries (LDCs) in

particular has seen the disappearance of much capacity through processes such as the emigration of skilled labour from countries where skills are scarce, the widespread collapse of public sector institutions, and the non-implementation of needed civil service reforms. The retention of capacity is an important aspect of capacity-building that has not been adequately emphasized in the past.

12. Thirdly, the focus of much capacity-building effort has been support for the development of human skills and the establishment or strengthening of institutions, with insufficient attention given to the capacity to formulate and analyse policy alternatives, or to the creation of a supporting environment in which capacities are affordable and effectively utilized.

13. Fourthly, capacity-building has concentrated its support on Governments, with little if any support for non-governmental institutions, the private sector, or for civil society in its broadest sense. Even in the critical area of policy capacity, the focus has been on central government rather than on a wide range of institutions needed for effective policy development.

14. Fifthly, capacity-building has not led to the establishment of recipient country capacity to develop a coherent framework for technical cooperation. This is partly because most technical cooperation has been managed as discrete projects, and partly because each donor has transplanted its national experience of capacity-building to recipients, with a lack of coordination among donors, and the lack of integration of technical cooperation with other resource flows.

15. Sixthly, technical cooperation as an instrument of capacity-building has been flawed. There is a growing consensus that technical cooperation has not been effective, not because particular projects did not succeed but because very large sums of money have been spent without reference to priority development goals, and without reference to related programmes. Thus, there is a need to re-examine technical cooperation as a way of supporting capacity-building. Practices of technical cooperation need to be adapted to the changing context of human resource needs and institutional capacity problems in developing countries.

16. These concerns, derived from lessons of experience, indicate certain central, interrelated issues that need to be addressed explicitly in the formulation of all capacity-building activities:

(a) The relevance of the activities to core national development objectives;

(b) The national policy context within which the programme activities are being undertaken;

(c) The extent to which capacity of non-governmental as well as government institutions are being built;

(d) The mechanisms of coordination of capacity-building activities;

(e) The sustainability of the capacity;

(f) The extent to which the modes of delivery of technical cooperation in support of capacity-building have incorporated the lessons of the past.

17. These issues are interrelated in a variety of ways. In each country, the strategy for national capacity development must first reflect development priorities, and identify the set of institutions regarded as desirable. However, the strategy must also reflect the capacity of the society to sustain those institutions on a continuing basis. The process of establishing priorities must therefore take place within the framework of the economic and fiscal constraints which exist now and which are foreseeable in the medium term. Thus, the process of priority setting and the issue of economic sustainability are closely interrelated. Sustainability must also be seen in environmental, cultural and political terms.

18. Sustainability also needs to be seen in the context of an increasingly interdependent world in which there is significant international mobility for highly skilled and professional labour, thus presenting major challenges for national capacity-building strategies.

19. A further interrelationship concerns the participants in the process of priority setting. In developing national capacity, although the Government inevitably plays a key role, the participation of non-governmental institutions, of civil society, is vital to the social acceptability and political sustainability of the strategy. The reconsideration in many countries of the role of government is leading to a drastic reduction in the scope of government activities, yet this in turn will require an equally drastic enhancement of the capacity for policy development, and the capacity of non-governmental institutions of diverse kinds to undertake new activities. Thus, strategies and priorities for national capacity-building must include governmental and non-governmental capacities from the outset.

20. The policy context is a further key element of sustainability, in particular the capacity to adapt policy continuously to changing circumstances, to undertake reform and restructuring, and to utilize effectively and to nurture skills. The underutilization in many countries of local skills, for example, is related to the Government's inability to formulate and implement sustainable policies towards the size, salary scales, incentives and functions of the public sector, and more generally, to balance resource availability with resource needs.

21. The policy context for capacity-building should be seen in its broadest possible sense, in terms of the totality of resources available for development, including domestic and foreign investment, changing patterns of international trade and technology transfer, and aid flows. Grant-funded technical cooperation needs to be programmed in ways which maximize the benefits potentially provided by the totality of resource flows. For example, changing patterns of manufacturing production resulting from technological change and foreign investment are leading to new opportunities for employment and income growth in those developing countries which invest in appropriate human resources.

III. ASSESSMENT OF CAPACITY

22. There are two aspects to the assessment of capacity, ex post and ex ante. The process of capacity-building requires means of assessing its achievements and impact ex post. The results of the process should be sustainability, affordability, utility, relevance, and ultimately economic and social progress that is reflected in improvements in peoples' lives. Ex ante assessment must also involve an assessment of the likelihood of the assistance achieving a positive and sustainable impact on development.

23. An initial discussion of indicators for national capacity-building was provided in document DP/1990/18. For the purposes of measurement, three levels of capacity were identified: the social systems and norms of a country; the aggregate complex of development-oriented institutions; and the individual capacity of any one organization. The document suggested that it is possible to evaluate the capacity and effectiveness of individual institutions. However, the aggregate capacity of a country cannot be assessed by "adding up" the capacity of separate institutions. Part of aggregate national capacity must be assessed by the extent to which the outputs of different institutions are used for positive social and economic purposes; the extent to which socially useful outputs are produced in an efficient and affordable manner; and the degree of interaction between governmental and non-governmental institutions in areas such as policy analysis and policy-oriented research.

24. Areas were highlighted for further research, such as the comparative experience of different countries in the provision of public goods, with different combinations of public, private commercial and private NGO/non-commercial forms of provision. The purpose would be to examine the nature, functioning and effects of different institutional arrangements on the quality of public goods and the degree of access to those goods by the population.

25. It is intended to explore these issues further in the Special Programme Resources (SPR)-funded fifth cycle research programme, which has launched a study of capacity-building jointly with the World Bank in six countries. Further development of this discussion must also take place at country level. As suggested in document DP/1990/18, the assessment of capacity-building involves social, institutional, political, technological, environmental and human resource dimensions. Some of these are subject to measurement by means of quantitative indicators, others will require qualitative judgements.

26. Monitoring systems for capacity-building are being developed, involving the establishment of baseline information, plus quantitative and qualitative benchmarks against which to assess the impact of capacity-building efforts. During the early stages of the fifth cycle, "process" indicators will be used to measure and monitor progress; for example, the degree of national government commitment to address the problem; the designation of a group or unit which will be responsible for managing the capacity-building process and coordinating donor inputs; the establishment of functional working groups; the development of a strategy for capacity-building; and the creation of an information system. "Impact" indicators will be used in the later stages of the cycle, as the strategies in specific sectors are formulated in more detail and implemented.

27. The assessment of capacity-building is complex from a methodological standpoint, but it is also complex because many determinants of success are external or unforeseeable. Examples of such phenomena are natural disasters and negative external shocks resulting from economic interdependence, such as the sudden influx of refugees, or the return of workers from abroad involving simultaneous losses of remittance income and increases in unemployment. A further example is the HIV/AIDS pandemic, which is currently threatening to undermine the productive base of the economy in many countries, as well as imposing intolerable strains on social services. A further example is the transition process in Eastern Europe and the Commonwealth of Independent States, in which social and economic institutions are undergoing widespread disruption and breakdown. These situations require an approach to capacity-building that supports national authorities in responding to immediate needs whilst laying the basis for improved management of resources in the medium and longer term.

28. Some elements of success can be assessed only in the long term. For example, in the case of some activities aimed at supporting programmes for sustainable development, the effects of these efforts can be evaluated only after a long period.

29. Capacity assessment must also be undertaken ex ante. There is a direct link between the use of national capacities and the process of national execution, both of national development programmes and projects and also of UNDP-financed technical cooperation. The designation of an executing agent for UNDP-assisted projects must first be explored in the context of national entities with potential to perform these tasks.

30. The assessment of the capability and appropriateness of an organization to execute and implement a project or programme will involve consideration of the organizations's legal and financial status, its mandate and structure, the experience and credentials of its managerial and technical staff, its project planning capability, and its capacity to manage, monitor and evaluate projects.

31. Ex ante capacity assessment will also form part of the process of the formulation of capacity-building strategies. In this context, it will involve a careful study of available human resources, organizational capacity within non-governmental and governmental institutions, and of the constraints on the effective utilization of existing capacity.

IV. FRAMEWORK FOR NATIONAL CAPACITY-BUILDING

32. The framework for national capacity-building is provided by national systems of planning and management and their translation into policies and programmes. In the case of environment and sustainable development, for example, the national strategies which will emerge as a result of UNCED will provide an important framework.

33. It is possible to identify certain key capacities that all countries require in order to advance their social and economic development. These are the capacity to define and manage a long-term vision, including the participation of diverse social forces and non-governmental institutions in

that process; the capacity to formulate sustainable development policies and programmes; the capacity to manage macroeconomic policies and development resources; and the capacity to implement and evaluate sustainable development activities.

34. The building blocks for UNDP support to these key capacities include the programme approach, national execution and the aid coordination process. By drawing on its neutrality and multilateral perspective, the United Nations system's contribution should lie increasingly in the upstream areas of policy dialogue and support to Governments in the formulation of strategies and programmes of a sectoral or multisectoral nature. The upstream shift is necessary in order to enhance the effectiveness of the limited resources of UNDP, and to address the issues of usefulness and relevance of capacities.

35. The successor arrangements for agency support costs also facilitate the upstream roles which United Nations agencies can play in developing sectoral and subsectoral programme frameworks. The resources of TSS-1, in particular, include policy dialogue and advice to Governments.

36. The identification of key capacities and the assessment of their major constraints also provide the basis for indicating the points of entry for UNDP and the United Nations system. These include the following: dialogue on overall goals and policies, sectoral strategies and programmes; strengthened capacities to define and prepare national programmes and policies; and the integration of global priorities and initiatives, such as the World Declaration on Education for All and Agenda 21, into national policies and programmes.

37. The task of supporting the formulation and implementation of national capacity-building strategies is daunting, and even by concentrating resources on upstream activities, such support cannot be provided by UNDP alone. A coordinated approach is needed, involving the United Nations system, other multilateral institutions, including the Bretton Woods institutions, and bilateral donors. Many donor institutions, including the World Bank, are re-appraising their approach to capacity-building and it is an opportune moment to develop a more coherent and coordinated approach. This is an area in which UNDP can exercise some leadership, because of its neutrality and universal experience in capacity-building activities. In addition, many of the instruments through which UNDP technical cooperation activities are managed are of increasing importance for a coordinated approach, such as round-table meetings, national technical cooperation assessment and programmes (NATCAPs) and the Management Development Programme (MDP).

38. The means through which UNDP can support Governments in formulating and implementing national strategies for capacity-building can be examined in terms of the following phases of the programme cycle:

(a) Long-term development perspective: the capacity to define and manage a long-term vision of social and economic development, and to bring about a greater consistency between short- and long-term policy objectives, can be supported through such initiatives as national long-term perspective studies, which involve support for governmental and non-governmental capacities to participate in national debate. This capacity can also be supported by means of assistance to the democratic, pluralistic process;

(b) Development strategies and policies: the capacity to formulate policies and substantive orientations for the short and medium term is supported through the policy dialogue (round-table meetings, Consultative. Groups, sustainable development strategies in support of Agenda 21); the integration of capacity-building requirements into macroeconomic policy formulation and the role of technical cooperation in supporting priority capacity-development is supported through NATCAPs, sectoral consultations, the formulation of national programme frameworks, and specific activities such as the Africa Capacity-building Initiative. The TSS-1 facilities offer resources for the provision of support by United Nations specialized agencies to this process. The agencies also have their own regular programmes of sectoral analysis which can address capacity-building for strategy and policy formulation;

(c) Implementation of national programmes by public and non-governmental institutions: the capacity to manage and implement national programmes is supported by means of capacity assessments at macro and sectoral, national and local levels, covering public and non-governmental institutions. Capacity assessments will assist with the identification of priority needs and specific tasks to be undertaken. Implementation capacity is also supported by MDP in the areas of economic management and coordination, civil service reform and decentralization. Increasing national responsibility for managing programmes requires that technical cooperation proceed through existing structures, and that it give priority to existing national capabilities. All too often, institutional support rapidly substitutes for national responsibility and becomes self-perpetuating. Systematic enhancement of national execution, i.e., the assumption of overall responsibility for management and accountability, in the context of the programme approach, offers both a learning experience and a cost-effective basis for operational activities;

(d) Monitoring and evaluation: the capacity to monitor and evaluate the impact of national programmes is supported by means of the development of indicators for assessing national capacity, and by technical cooperation directly in support of building national monitoring and evaluation capacity. This process should feed back into the strategy formulation and policy review process.

39. In developing a strategic, coordinated approach to capacity-building, the instruments outlined above form the central elements of UNDP support at country level. The UNDP country strategy document (country programme) would address the key issues of capacity-building (priorities, sustainability, policy capacity and the utilization of capacity, and the capacity of non-governmental institutions), and set out the specific instruments through which, in that country, the national strategy for capacity-building will be supported by UNDP.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1993/24
7 April 1993

ORIGINAL: ENGLISH

Fortieth session
1-22 June 1993, New York
Item 4 (e) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

Programme management issues, including decentralization and the programme approach

Report of the Administrator

SUMMARY

Programme management is reviewed: first, at the macro level of the country programmes - more accurately described as country strategies for the use of UNDP resources - which constitute a major step in the process of applying UNDP support to national development efforts; next, at the level of monitoring and evaluation, with particular emphasis on the mid-term review; and then in terms of progress made towards facilitating the programme approach, including the testing of a new mechanism - the programme support document (PSD) - for the purpose.

In response to calls to strengthen management at the country level and to the Governing Council's request contained in its decision 92/42 of 26 May 1992 to continue to review the senior management structure of UNDP, the steps taken so far are presented. These include enhanced delegation of approval authority to Resident Representatives as well as the strengthening of appraisal and review processes at the country level. In introducing these measures, emphasis has been placed on ensuring programme accountability.

Parallel to the introduction of new management procedures and tools for UNDP, the organization has actively participated in inter-agency groups working to coordinate and harmonize more effectively on these and related issues, as required by the General Assembly.

I. INTRODUCTION

1. In paragraph 3 (c) of its decision 92/2 of 14 February 1992, the Governing Council decided to consider annually, inter alia, programme management issues, including decentralization and the programme approach. Also, in its decision 92/42 of 26 May 1992, the Council requested the Administrator to continue to review the senior management structure of the United Nations Development Programme (UNDP) with the aim of increasing efficiency and effectiveness and report thereon to the Governing Council at its fortieth session. To facilitate the Council in its consideration of these issues, the Administrator is submitting the present report. It responds to paragraphs 3, 4, 6 and 7 of decision 92/42.

II. COUNTRY PROGRAMMES

2. The Governing Council has so far approved 97 country programmes for the fifth programming cycle and will consider a further 28 at its current session. In the case of nine countries, special circumstances have led the Council to authorize approvals by the Administrator on a project-by-project basis. In addition, the Council has approved the global and interregional programmes and four regional programmes. In all remaining instances, extensions of previously approved country or regional programmes have been taken note of or approved by the Council, according to the duration of the extension.

3. The fifth cycle country programmes are significantly different in substance and format from those of earlier programming cycles. The emphasis is on supporting major national priorities in ways that exploit the proven comparative advantages of UNDP, coincide with its mandate of capacity-building for human development, and, as far as possible, with the areas of focus for UNDP specified by the Governing Council in its decision 90/34 of 23 June 1990. The aim is to demonstrate identifiable results from UNDP support and to ensure that those results are sustainable, both in institutional and ecological terms. At a time when resources for external cooperation are under pressure, including those of UNDP, another important concern for UNDP is to help governments to mobilize resources, in particular through cost-sharing.

4. Country programmes also emphasize UNDP support to national programmes rather than to self-standing projects. They focus more on outputs and results and less on inputs. In fact, the term "country programme" as a description of UNDP support at the country level is a misnomer. The term "country strategy" would better describe the use of UNDP resources.

5. While the new country programmes provide a clearer sense of strategy - how to apply limited resources in the most effective way in a given situation to achieve maximum impact - they contain less detail on specific support (i.e., projects) and related allocations. They are much more part of a process. For this reason, among others, the monitoring and review of country programmes, especially the mid-term review, take on added importance. These mechanisms provide the occasion to track the progress of implementation, to make adjustments in the light of the evolving situation, and to take corrective actions when called for.

III. MONITORING AND EVALUATION

6. Monitoring and evaluation procedures are under revision to make them more reflective of the new fifth cycle emphasis on capacity-building, particularly in the six areas of focus. The emphasis on adopting country programme strategies and promoting the programme approach and national execution will require the development of improved techniques in monitoring and evaluation.

7. Monitoring activities will focus on the establishment of baseline data and the formulation of indicators of progress together with practical benchmarks to measure such progress in projects and programmes, as appropriate. They will also function as early-warning systems on issues requiring corrective action. Improved management information systems are expected to play a crucial role in ensuring the success of programmes. In addition, these improved monitoring systems will help in strengthening the capacity of in-country monitoring and evaluation systems to keep track of the implementation of programmes.

8. As regards evaluation, the experience of the past 20 years in UNDP has demonstrated that while evaluation of the stand-alone project is valuable in recording impact at the micro-level, this experience cannot be readily transmuted into generic lessons that can be applied in different contexts. While evaluation of a cluster of similar projects can yield such generic lessons, the optimal point to undertake full-fledged evaluation is considered to be at the programme or sub-programme level since at this juncture it is possible to generate transferable lessons of experience and to open policy dialogue with recipient countries. It should be stressed that evaluation at this macro-level will not be successful or of relevance to operational staff unless it is based on solid inputs derived from monitoring activities. This point also brings into sharp relief the crucial role and relevance of feedback from evaluation findings. The new guidelines will emphasize that careful review of the lessons of the past is vitally important for planning activities being contemplated by UNDP and national authorities. (See document DP/1993/26 for further information on the UNDP strategy with respect to monitoring and evaluation.)

IV. MID-TERM REVIEWS

9. In similar fashion to the guidelines for monitoring and evaluation, those for mid-term reviews have been extensively revised to address the issues of particular concern to the Governing Council. These issues are essentially those already referred to in the outline of the new country programmes. The focus is on identifiable impact and results, on reinforcing national ownership and capacity-building and on sustainability. Other significant considerations are the coverage of the UNDP areas of focus, the cost-effectiveness of UNDP support, the extent of national execution and the coordination or complementarity of UNDP support with that of other donors.

10. Eight mid-term reviews are currently scheduled for 1993. The guidelines will be reviewed in the light of experience towards the end of the year and revised, if necessary, for application in the bulk of mid-term reviews, which will be held during 1994 and 1995. The first report on mid-term review exercises will be submitted to the Governing Council at its special session in February 1994.

V. THE PROGRAMME APPROACH

11. In paragraph 17 (d) of its resolution 44/211 of 22 December 1989, the General Assembly decided that the need for a shift from a project approach to a programme approach implies that all relevant governing bodies, in particular the Governing Council of the United Nations Development Programme, should develop more programme-oriented mechanisms for the provision of technical cooperation, with a view to allowing more flexible and effective support of national programmes.

12. Following considerable conceptual work on the definition and characteristics of the programme approach, the Governing Council, in its decision 92/23, encouraged UNDP, in consultation with government and United Nations specialized agencies, to continue its work on the formulation of guiding principles. Consultations were held with governments and specialized agencies during the latter half of 1992 and the UNDP Guiding Principles for the Programme Approach were issued in April 1993.

13. The application of the programme approach in the implementation of country programmes has not waited upon the issuance of the Guiding Principles. Taking the mandate of the General Assembly, subsequent related decisions of the Governing Council, and earlier drafts of the Guiding Principles, UNDP has already started to support the programme approach.

14. In all countries, Resident Representatives have been urged to ensure that UNDP technical cooperation, whether funded from indicative planning figures (IPFs), the United Nations Capital Development Fund (UNCDF) or other sources, looks beyond the immediate project being supported towards the national development goal and other related, contributory activities.

15. In several countries where the national authorities are convinced of the utility of the programme approach, Resident Representatives have been encouraged to help governments to develop national programme frameworks, where these do not exist, and to formulate UNDP support within these frameworks. The technical and advisory services of the United Nations system have been associated with these exercises whenever available and appropriate. Examples of the attempt to follow the programme approach in this way are found in Bolivia, Colombia, Côte d'Ivoire, Egypt, Gambia, Malawi, Nepal, Pakistan, Thailand and Tunisia. The fields covered include poverty alleviation, water and sanitation, forestry, economic reform and education reforms. Neither list is exhaustive. In each case, the format for the formulation of UNDP support has been left largely to the initiative of the members of the local team, both national and from the United Nations. In all cases, however, proposals have been appraised centrally with particular concern for policy and both substantive and financial accountability.

16. Based on the principal concerns of the Governing Council, on earlier broad outlines developed centrally, and drawing on the experience with programme support formulation so far, the outline of a programme support document has been elaborated. This is now being used on a trial basis and, after review and revision as necessary, will be introduced as the standard format for UNDP support to national programmes. It is designed to be flexible, allowing responsiveness to different country situations and substantive requirements. It

is also designed to provide information to programme managers, UNDP administration and the Governing Council on progress in capacity-building, on other outputs, as well as to ensure financial accountability.

VI. DECENTRALIZATION

17. The interpretation of new legislation, i.e., the clarification of concepts and terms, and the preparation of guidelines and formats to reflect new concerns and changed directions, have inevitably been headquarters-driven. However, it is clear in the legislation that a greater degree of decentralization is required to permit prompt and appropriate collaboration at country level. In addition, the experience of the new Division Chief concept has illustrated the advantages provided by increased consultation and teamwork between headquarters and field units, providing the appropriate environment for increasing decentralization of authority on the one hand while increasing opportunities for ensuring accountability on the other.

18. The Administration has made increased decentralization of authority to the field a primary focus of change over the past year. Emphasis has been placed on providing Resident Representatives with expanded scope for managing UNDP country programmes and their own administrative affairs. As a strategy, decentralization is being promoted to enable UNDP better to fulfil its role as a development resource to developing countries and to improve the efficiency and effectiveness of its operations in the context of increased budgetary constraints.

19. Accordingly, financial approval authority for project approvals has been increased to $1 million for Resident Representatives and $3 million for the Directors of the Regional Bureaux. In addition, where large-scale support to a national thematic or sectoral programme has been cleared by the Action Committee, authority is delegated to the Resident Representative to formulate and approve the individual components (i.e., projects) of such programme support within the financial parameter cleared by the Action Committee.

20. To balance this increased financial authority, the following procedures are also being enacted:

(a) Delegation to Resident Representatives is at the discretion of the Directors of the Regional Bureaux;

(b) Authority still rests with the Action Committee to endorse at least one project a year from each field office, for larger-scale programme-support proposals and for any proposals with policy implications, regardless of size;

(c) Field-level project appraisal processes are being strengthened and review mechanisms introduced to ensure that all projects are assessed by qualified specialists - including local representatives of specialized agencies - from both technical and thematic perspectives.

21. Along with the increased decentralization of programme authority, emphasis has been placed on ensuring programme accountability. As noted above, the Administration's approach has been to shift accountability in two ways:

(a) To the impact of UNDP efforts, as well as to the delivery of UNDP-financed inputs; and

(b) From one-time, a priori control mechanisms (the project and programme approval process) to continual, post-facto control mechanisms (the project and programme review process, with financial control mechanisms in place).

22. Accordingly, emphasis is being placed on the continual review of programme progress through the field office work-planning process. Work plans prepared by the Resident Representative will encompass both country programme and office management aspects, and will be used for consultations with the Division Chief to review past progress, plan future goals and activities, describe the programmes and projects in the coming year, and spell out the mutual responsibilities of the field office and headquarters. Work plan extracts will form the basis for periodic programme reviews with the Government, headquarters units, the Action Committee, and the mid-term reviews presented to the Governing Council. The role and responsibilities of the Division Chief will be significantly enhanced by the introduction of these new arrangements.

23. To focus programme accountability on impact, work plans will contain verifiable performance criteria. These criteria will focus, inter alia, on areas of Governing Council concerns noted in paragraph 7 above (such as the Programme's adherence to the Council-approved country programme document, the extent of national capacity-building and the coordination of United Nations specialized agency activities, the degree to which the Programme is addressing sustainable human development and the organization's priority areas of thematic focus).

24. The measures described above are being instituted over the course of 1993. Benefits expected from these actions include:

(a) Increased empowerment of field staff to exercise their professional judgement and managerial skills;

(b) Sharpening the focus of the functional responsibilities of headquarters towards policy and programme support and setting directions in which the Division Chief will play a pivotal role, and of field offices towards programme and project operations;

(c) Thorough field-level substantive and thematic examinations of all projects, involving, among others, specialized agency representatives; and

(d) Improved attention in country programmes to the impact of UNDP resources on national development objectives and to adherence to Governing Council concerns.

25. While UNDP has taken the steps outlined above in response to directives from the General Assembly and the Governing Council, it has also participated actively in inter-agency groups, notably the Consultative Committee on Substantive Questions (Operational Activities) and the Joint Consultative Group on Policy, which are working to coordinate and harmonize programme management issues more effectively within the United Nations system, as required by the General Assembly, most recently in its resolution 47/199 of 22 December 1992.

UNITED
NATIONS

DP

Governing Council
of the
United Nations
Development Programme

Distr.
GENERAL

DP/1993/25
24 March 1993

ORIGINAL: ENGLISH

Fortieth session
1-18 June 1993, New York
Item 4 (f) of the provisional agenda

PROGRAMME PLANNING AND IMPLEMENTATION

Multilateral coordination and complementarity

Report of the Administrator

SUMMARY

The role of UNDP and of multilateral financial institutions has changed significantly in the recent past. The division of labour provided in their mandates is no longer clear as regards activities at the country level. Their relationship is affected by differences in structure, mode of organization and perceptions. At the global level there is now a trade-off for UNDP between greater decentralization of its programmes and participation in global initiatives. Therefore, UNDP must select global and regional issues in accordance with country-level priorities. Future relations between UNDP and multilateral financial institutions should be neither adversarial nor overly accommodating but, rather, should be based on the best use of UNDP comparative advantages, excellence in design and delivery of technical cooperation for capacity-building and more effective and extensive cooperation with the specialized agencies of the United Nations system.

93-17190 (E) 100593

120593

/...

I. BACKGROUND AND INTRODUCTION

1. Governing Council decision 92/15 of 26 May 1992 requested the Administrator "to strengthen further the interaction of UNDP at all levels with other development institutions, including international and regional financial institutions, in order for the institutions to establish the greatest possible coordination, avoidance of duplication and best use of comparative advantage in technical cooperation, within the overall context of the national development priorities of recipient countries".

2. A study was undertaken to review the changing mandates of UNDP and multilateral financial institutions, to analyse present relationships and to recommend measures to improve the degree of complementarity and coordination. The study involved a desk review and interviews with 65 officials of UNDP, the World Bank, the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB).

3. The present document draws upon this study as well as upon the following reports: Joint Inspection Unit, United Nations System Cooperation with Multilateral Financial Institutions, 1992; Danish International Development Agency, Effectiveness of Multilateral Agencies at Country Level, 1991; The United Nations in Development: Reform Issues in the Economic and Social Fields: A Nordic Perspective ("the Nordic UN Project"), The United Nations in Development, 1991; UNDP Regional Bureau for Africa and Development Alternatives Incorporated, Rethinking Technical Cooperation: Reforms for Capacity-Building in Africa, 1993; UNDP Regional Bureau for Africa, Capacity-Building and Technical Cooperation: Managing the Connection, paper prepared for the National Technical Cooperation assessment and programmes (NATCAP) technical workshop, June 1992; and the World Bank Technical Assistance Review Task Force, Managing Technical Assistance in the 1990s, 1991.

4. The present document contains three sections. The first discusses the changing role of UNDP and multilateral financial institutions at the country level. The second discusses roles and collaborative arrangements at the regional and global level, as well as lessons learned. The final section presents conclusions. Annexes provide additional data concerning the scale and type of collaboration.

II. CHANGING ROLES OF UNDP AND MULTILATERAL FINANCIAL INSTITUTIONS AT THE COUNTRY LEVEL

5. The original mandates of multilateral development institutions provide a clear division of labour among agencies. The mandate of UNDP is to provide technical cooperation to support capacity-building for self-reliant development, with United Nations specialized agencies supplying technical inputs, usually as executing agencies.

6. The mandate of the World Bank and of the regional development banks, on the other hand, is to channel financial resources to developing countries to help raise their standards of living. The mandate of the IMF is to promote an open trade and payments system and exchange rate stability and to provide short-term

financial assistance to countries experiencing balance-of-payments disequilibrium.

7. Despite the clarity of these mandates, the roles of the various institutions have been changing in response to major political and economic transformations world wide.

8. At the country level, despite these changes, the roles of multilateral financial institutions and of UNDP remain distinct in concept. To a considerable extent, the World Bank and regional development banks continue to provide loans for capital investment projects. In addition, and of increasing importance since the early 1980s, the World Bank and IMF undertake negotiations with Governments on macroeconomic and sectoral policy issues, in which the priorities of national Governments and those of the World Bank and IMF are reconciled.

9. On the basis of these negotiations, capital assistance is made available in the form of sectoral or programme loans. Although the World Bank and the IMF take national priorities into account, there are key requisites upon which the institutions insist, largely concerning macroeconomic stability.

10. The role of UNDP, on the other hand, is to support Governments in building national capacity for self-reliant development. Although the introduction of the six themes in Governing Council decision 90/34 of 23 June 1990 has given greater focus to UNDP activities, UNDP does not insist on predetermined conditions. Although capacity-building activities are more likely to succeed in conditions of macroeconomic stability, their success is not absolutely dependent upon it.

11. The roles of aid coordination institutions should, then, be as follows: the World Bank coordinates financial assistance on the basis of negotiated policy conditions, and UNDP coordinates technical cooperation, with no policy conditions attached.

12. This conceptual distinction is less clear in operational terms, partly because there has been a convergence of focus by multilateral institutions on macro-level policy issues, and partly because the World Bank and regional development banks have become development institutions and have recognized that the development process requires both capital and technical cooperation. Thus the World Bank has increasingly undertaken technical cooperation aimed at institution-building, rather than confining its technical cooperation to activities directly in support of loan-funded capital projects.

13. Therefore, the division of labour among agencies based on the differences between capital assistance and technical cooperation is no longer clear-cut. For example, in the area of macroeconomic policy and management, although UNDP is not a party to the negotiations between Governments and the World Bank and IMF, it can play a key role in strengthening the negotiating capacity of Governments and their ability to make rational and informed policy choices.

14. Furthermore, the packaging of capital assistance and technical cooperation has contributed to blurring the division of labour among agencies. Grant-funded technical cooperation has been used in combination with low-funded capital

assistance. This practice may lead to a softening of the financing terms for a project, but can also undermine the effectiveness of both the technical cooperation and capital assistance.

15. The conceptual distinction is also less apparent in the context of the adoption of a programme approach by donors, in which support is provided for a national programme rather than for a defined project with specific inputs in the form of capital assistance or technical cooperation. In the context of programme-based assistance, the distinct contribution and impact of capital or technical cooperation, or of each donor, may be less discernible.

16. In addition, the increasing tendency to provide programme-based assistance has inevitably involved donors in discussions of policies and their implications and, hence, has introduced a new dimension to conditionality. The programme approach also necessitates much greater donor coordination than before.

17. The absence of clarity concerning the division of labour among agencies in operational terms means that the actual roles played by UNDP and multilateral financial institutions are determined by prevailing conditions in a country, that is, the relative strengths and capacities of the agencies, the preferences of Governments and the initiatives of the major players, including bilateral donors.

18. It also implies that agencies are subject to some degree of competition, even though the choice made by Governments between round-table conferences and Consultative Group meetings should minimize competition. An agency's role in aid coordination depends in part on the confidence of the Government in the agency's effectiveness in resource mobilization. This is not considered the strongest asset of UNDP even by Governments that have opted for the round-table process.

19. In reviewing the relationship between UNDP and multilateral financial institutions at the country level, the experience varies from region to region, from country to country and from project to project.

20. UNDP cooperation with the IMF has focused on assisting developing countries to build their capacity for sound macroeconomic policy formulation and management and to establish necessary financial institutions. For the most part, the IMF has acted as executing agency for UNDP-funded projects. In addition, there have been joint training programmes in macroeconomic management and design of structural adjustment programmes. In the context of providing support for managing economic transition and macroeconomic reform, UNDP may have to develop and focus its cooperation with the IMF and other specialized agencies active in this area.

21. In Africa, where there has been the most marked shift to policy-based lending as a response to the multiple crises faced by the region, there has been increasing reliance on the structural adjustment programme as the primary tool of economic management. This has changed the relationship between UNDP and multilateral financial institutions, as well as with Governments. The limited capacity of UNDP to mobilize resources for Africa from other sources and its relatively limited policy analysis capacity has curtailed its role at the

macroeconomic level, while the World Bank and IMF, in particular the World Bank, have extended their scope, importance and recognition.

22. UNDP cooperation with the African Development Bank (AfDB) covers a wide range of development issues, with AfDB acting as executing agency for regional projects in such areas as support for women entrepreneurs, energy and a feasibility study for the establishment of an African export-import bank. During the fourth Cycle, UNDP-financed projects executed by AfDB amounted to $6 million. The relationship is limited partly because of the comparative advantage of AfDB and its lending portfolio are concentrated in the areas of construction and infrastructure, while UNDP-supported activities have been shifting away from these areas.

23. In the Arab States region, the World Bank is increasingly involved in policy-based lending. In most of these countries, UNDP collaboration is limited to supporting the Consultative Group process by providing information on technical cooperation needs. In one country, UNDP is successfully collaborating with the World Bank to implement major economic reform and to minimize the negative social impact of adjustment.

24. There is a marked trend in the region towards cooperation in emergency-prone countries, where the World Bank and UNDP are cooperating in identifying rehabilitation needs. In some least developed countries in the region, both UNDP and the World Bank are involved in a dialogue with donors and national authorities on policy issues and resource mobilization requirements.

25. In Asia and the Pacific there are fewer structural adjustment programmes, and given the higher level of technological development as compared with Africa, World Bank assistance focuses on project preparation and feasibility studies which in general have not been controversial. The World Bank role in project execution is declining in the region, as national execution increases. UNDP could play a more influential role in the region if it had a stronger capacity for policy analysis.

26. UNDP cooperation with the Asian Development Bank (AsDB) covers almost all sectors, with particular focus on agriculture, forestry, fisheries and natural resources. UNDP-financed projects executed by AsDB during the fourth cycle amounted to $21 million. The relationship is changing as a result of the growing trend towards national execution in the region, and as a result of the greater focus of UNDP activities on fewer areas of activity.

27. In Latin America and the Caribbean, given the region's strong capacity for policy analysis and also given small indicative planning figures (IPFs), the role of UNDP has been to assist Governments in the management of borrowed funds. UNDP maintains close relations with Governments and commands credibility and acceptability.

28. The relationship of UNDP with IDB covers broad issues based on formal and informal arrangements. An agreement between the two institutions in 1990 provided for cooperation in the sharing of information and in the identification, preparation, financing and execution of technical cooperation. IDB no longer participates in project execution in the region, and much of UNDP/IDB cooperation is conducted by means of Management Service Agreements, in

which UNDP facilitates the timely and effective utilization and disbursement of IDB loans by Governments.

29. Certain issues arise from the differences in structure and mode of organization of UNDP as compared with multilateral financial institutions, in particular the World Bank.

30. The World Bank is highly centralized, with major decisions made at headquarters, whereas UNDP is very decentralized, with authority for decision-making increasingly given to field offices. Thus, relations built at the field level do not necessarily translate into substantive, mutually satisfactory cooperation in the context of country-level activities as a whole. Development of relationships between UNDP field offices and the country operations department at World Bank headquarters is required. This is not always logistically feasible and does not always lead to compatibility in assessment of the national situation.

31. Even though World Bank assessments are based on missions to a country, the final decisions and judgements are made by senior managers at headquarters, while in the case of UNDP assessments as well as operational decisions are increasingly made by field offices.

32. World Bank resident missions facilitate the work of missions from headquarters, but unlike UNDP they have limited authority to intervene directly, make decisions on project matters or provide supervision and technical assistance. With the increasing emphasis on policy-based lending, involving continuous dialogue with and support to key government officials and politicians, there can be disadvantages in concentrating activities and decision-making at headquarters. The World Bank Technical Assistance Review Task Force recognized that technical assistance is intrinsically more difficult and laborious than capital assistance. The Task Force concluded that "It is no accident that aid agencies specializing in technical assistance, including UNDP, maintain a heavy field presence".

33. These organizational differences have implications for the effective provision of technical cooperation aimed at long-term capacity-building. This is an area of great institutional complexity and a strong, permanent, professional country presence is a necessary condition for success. This presence may not require long-term expatriate project personnel but can be built by the UNDP field office in cooperation with national expertise. The ability of UNDP to develop networks and make effective use of its extensive field presence will be a major factor in the evolving division of labour between UNDP and the World Bank.

34. Aside from differences in the structure of the organizations, there are also differences in perceptions, attitudes and work culture which at times have reduced the degree of effective coordination and cooperation among the agencies. The mutual perceptions and attitudes may or may not be well founded, but since they have an impact on working relationships, they present a set of managerial problems which need to be resolved by the institutions.

III. RELATIONSHIPS BETWEEN UNDP AND MULTILATERAL FINANCIAL INSTITUTIONS AT THE REGIONAL AND GLOBAL LEVEL

35. At the regional and global level, many development issues require the mobilization of resources, expertise, research networks, forums for debate and media presentation on a massive scale. UNDP has worked with the World Bank and with the donor community in many areas of global concern, including the Global Environment Facility, the Energy Sector Management Assistance Programme, the International Drinking Water Supply and Sanitation Decade, the Urban Management Programme, the Consultative Group on International Agricultural Research and the Onchocerciasis Control Programme. At the regional level there are such joint activities as the African Capacity-Building Initiative, Social Dimensions of Adjustment and National Long-Term Perspective Studies (also in the Africa region).

36. These examples of collaboration have had some significant success, and in general they have enabled both UNDP and the World Bank to bring their accumulated experience to bear upon major development problems. These have become increasingly important areas of activity for UNDP.

37. The World Bank has the capacity to take a leadership role in development issues of global concern, with 4,411 core professional staff, approximately 4,000 of whom are located in Washington, D.C. Of this number, 978 are technical specialists and 830 economists, with 261 professionals engaged in economic research and 260 in sector policy analysis.

38. In comparison, the ability of UNDP in this domain is extremely limited, both in financial terms and in terms of in-house professional staff. This is likely to decrease further as a result of UNDP efforts to cut costs and become more field-based and decentralized. Thus, there are tradeoffs which need to be addressed explicitly to determine how far UNDP can participate in and devote resources to major global issues, and if this is in conflict with increased devolution to the field and efforts to shrink headquarters staff to provide more substantive backstopping for field offices.

39. The resolution of this contradiction will inevitably enable UNDP to define more sharply 'ts particular areas of focus. As indicated in "The Efficiency of Programming and the Comparative Advantages of UNDP" (DP/1993/28), it will be necessary for UNDP to develop substantive comparative advantages which reflect the areas of focus of country programmes and to concentrate its professional resources on building excellence in these areas. In other areas, while UNDP will continue to manage technical cooperation, it will not have the capacity to play a more substantive role.

40. The areas of focus which are emerging as priorities in the fifth cycle country programmes are as follows: economic management and public sector reform; social development, poverty alleviation and community participation in development; environmental protection and sustainable natural resource management; and productive capacity, involving technology transfer and support for the development of the private sector. There are also important cross-sectoral themes, most notably in the areas of gender in development and control of the human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS).

41. Thus the global and regional issues in which UNDP continues to participate reflect increasingly the areas which are emerging as major priority concerns at the national level. This will enable UNDP to provide more effective and relevant technical backstopping to field offices and to inject the global experience of UNDP into debate and analysis.

IV. CONCLUSIONS

42. The erosion of the clear-cut division of labour between UNDP and multilateral financial institutions can be seen as an opportunity as well as a problem. Present arrangements are not optimal, as there is a growing disparity between formal mandates and national realities. In part this has arisen because donors have not always adopted consistent approaches, nor have resources been allocated in accordance with a coherent donor strategy for the division of labour among institutions.

43. In addressing the concern of the Governing Council to strengthen further the interaction of UNDP with other development institutions and to establish the greatest possible coordination, avoidance of duplication and best use of comparative advantage in technical cooperation, there are two possible approaches, based either on a new division of labour or on competition.

44. The approach based on a new division of labour would involve a redefinition of the functions and responsibilities of each agency, by sector and region. Functions and strategic priorities would be determined jointly by the Governments of donor and recipient countries. This would minimize competition and overlap and define the "territory" of each agency.

45. This approach is not easy to implement. Such compartmentalization has not succeeded in the past, and a lack of competition can lead to inefficiency and low professional standards because of the monopoly position of specialized institutions. Governments are confronted with a single source of expertise in particular areas, rather than having access to a range of alternatives. Furthermore, certain activities inevitably receive less attention because they are not the responsibility of any particular institution. In addition, synergy, linkage and complementarity would be less powerful forces in the relationship among agencies.

46. The approach, based on competition, while stressing the need for coordination and complementarity, involves the acceptance of a market in technical cooperation services, in which the United Nations system must compete with multilateral financial institutions, governmental and non-governmental institutions, bilateral agencies, universities and research institutions. The technical cooperation market is highly imperfect, and there is at present no accepted set of rules by which development agencies operate.

47. The existence of alternatives among which recipient Governments can choose will improve the quality and effectiveness of technical cooperation. However, conditions must exist under which the market for technical cooperation functions more effectively, where the players in the market agree on explicit rules and where systematic support is provided for Governments to make rational choices among alternatives.

48. The market for technical cooperation is one in which costs and prices play only a marginal role in the determination of supply and demand and buyers have very limited rights to choose the quality and mix of inputs. This is because technical cooperation is combined with capital assistance; procurement is tied; and the ability to substitute technical cooperation from different sources is assumed to be low.

49. The wide variety in the price of technical cooperation services from different sources, for example, requires Governments to assess whether the difference is warranted by real differences in quality of service and level of technical expertise. The capacity to make such choices is an important element in the management of technical cooperation.

50. A key role for UNDP in this context is to continue to strengthen national programming, including the ability of Governments to plan and manage technical cooperation, to ensure the coherence of technical cooperation with national plans and programmes and the optimal utilization of national as well as external expertise and other resources. This will require a more satisfactory resolution of such conceptual issues as the problem of determining the value of technical cooperation in light of its general lack of fungibility.

51. In contributing to a more rational and effective use of technical cooperation by recipient countries, it is imperative that UNDP develop cost-effective and flexible modalities for programming and designing technical cooperation where, along with United Nations agencies, it has a comparative advantage. It is only through improved quality and effectiveness in the design and management of technical cooperation that UNDP can regain a central position in this arena.

52. Therefore, UNDP's relationship with multilateral financial institutions should neither be adversarial nor overly accommodating, but, rather, should be based on the best use of its comparative advantages, in particular those derived from its field presence in virtually all countries. In order to be competitive, UNDP should develop a more focused approach in areas in which it has or can develop a comparative advantage. In-house analytical and policy advisory capacity are crucial factors for success. This should be bolstered by strengthening the information network and building a roster of consultants of extremely high calibre.

53. While cost-sharing and management service agreements are useful modalities of cooperation and should be continued in the future, UNDP should review existing collaborative arrangements in order to ensure that national priorities are met more effectively.

54. The threat to UNDP that multilateral financial institutions, in particular the World Bank, pose cannot be reversed through institutional rearrangements or negotiations, but only through improving the effectiveness of UNDP operations.

55. The primary objective of UNDP should remain capacity-building in developing countries, but in the process of achieving this goal, UNDP should be able to compete in the supply of technical cooperation services. Therefore, UNDP should clearly identify its comparative advantages in a dynamic context and should collaborate with other agencies within the United Nations system to do so. This

will be the basis for redefining relationships with multilateral financial institutions.

56. The relationship between UNDP and the United Nations specialized agencies is an important factor in this endeavour. UNDP should forge new relationships and re-establish mutual confidence in order for the United Nations system to regain its position as a centre of excellence in areas of specialization. In the new era involving national execution and a new focus on thematic, multisectoral approaches, it will be necessary for the specialized agencies as well as UNDP to change. If Governments so wish, the country strategy note will provide the framework within which coordinated support to national programmes will be developed.

57. In such areas as macroeconomic management, prevention of HIV/AIDS, gender in development, private-sector development, environmental sustainability, forest management and the protection of biodiversity, the ways in which agencies cooperate in pursuit of national programmes must be transformed. In this transformation, the role of UNDP will become more focused in order to forge a close alliance among agencies which can effectively support the achievement of national development objectives.

Annex I

UNDP/OFFICE FOR PROJECT SERVICES COOPERATION WITH MULTILATERAL FINANCIAL INSTITUTIONS

1. The following describes the status of operations and the variety of mechanisms through which UNDP/Office for Project Services (OPS) cooperates with multilateral financial institutions in project implementation.

I. MANAGEMENT SERVICE AGREEMENTS

2. UNDP/OPS has 65 active or recently completed Management Services Agreements (MSAs) to support government execution of World Bank loans, under which OPS provides management and other support services. The MSAs have a total combined budget of $180 million, of which $20 million was spent in 1992, $58 million in previous years and $102 million remains to be spent.

3. OPS has six active or recently completed MSAs to support government execution of IDB loans. These MSAs have a combined total budget of $51 million, of which $2 million was spent in 1992, $13 million in previous years and $36 million remains to be spent.

4. There are no MSAs with AsDB or AfDB.

II. UNDP/OPS AS ASSOCIATED AGENCY

5. UNDP/OPS has agreed to act as associated agency, providing specified services, for six UNDP projects where the World Bank is the executing agency. Three of the projects are in the water sector and are located in Nigeria and Pakistan. Two regional projects in Africa and a project in Uganda deal with more general economic planning. The total value of these projects is $3,766,711, of which $288,000 remains to be disbursed.

III. OPS AS EXECUTING AGENCY

6. UNDP/OPS serves as executing agency for two World Bank-funded forestry projects (funded through third-party cost sharing) valued at $220,621. Additionally, under the fund "World Bank as trustee of the Global Environment Facility", UNDP/OPS executes one global and one interregional project, the total budget for which is $2,966,000.

IV. WORLD BANK AS ASSOCIATED AGENCY

7. Since 1988, UNDP/OPS has engaged the project implementation services of the World Bank through 27 inter-agency agreements. The total value of these inter-agency agreements is $4,045,389.

Annex II

SELECTED EXAMPLES OF COOPERATION BETWEEN UNDP AND THE WORLD BANK AT GLOBAL AND SECTORAL LEVELS

I. AREAS OF COOPERATION

In the 1980s, joint programmes were initiated where the World Bank, UNDP and a specialized agency of the United Nations agreed to work on a global issue. The most important ones were the following:

Addressing global problems and issues

(a) Global Environment Facility

(b) Energy Sector Management Assistance Programme

(c) International Drinking Water Supply and Sanitation Decade

(d) Urban Management Programme

Promoting global scientific knowledge and understanding

(a) Consultative Group on International Agricultural Research

(b) Onchocerciasis Control Programme

Addressing sectoral and regional problems

(a) African Capacity-Building Initiative

(b) National Long-term Perspective Studies

(c) Social Dimensions of Adjustment

Coordinating the Donor Community

(a) Round-table Conferences and Consultative Group meetings

(b) National technical cooperation assessment and programmes

II. COOPERATION WITH OTHER AGENCIES WITHIN THE WORLD BANK GROUP

UNDP and Economic Development Institute

(a) Joint training programmes in pre-investment work

(b) Macroeconomic management

(c) Design of structural adjustment

UNDP and International Finance Corporation

(a) Caribbean Project Development Facility

(b) African Project Development Facility

(c) Asian Foreign Direct Private Investment Programme